



ASX / MEDIA RELEASE

## Quarterly Activities Report and Appendix 4C

### Highlights:

- FY20 net cash receipts up 10% on pcp to \$60.0 million, operating cash inflows of \$3.7 million, highlighting the strength of core Limeade business in the face of the COVID-19 pandemic and global recession
- Q4 2020 net cash receipts of \$11.9 million, operating cash outflow of \$1.5 million
- Cash position \$31.5 million (no debt) as at 31 December 2020
- FY20 Revenue, EBITDA, Net Loss expected to be improved over prior guidance
- FY20 CARR<sup>1</sup> of \$55.0 million, down 4% on FY19; five-year CARR CAGR<sup>2</sup> of 15%
- Three year, \$2.3 million per annum contract signed with the University of Texas System
- Limeade continues to explore acquisition opportunities to expand the total addressable market (TAM), complement Limeade technology and accelerate growth

SYDNEY, Australia and Bellevue, Washington. – 22 January 2021 – [Limeade](#) (ASX: LME, or the Company), an employee experience software company, today announces a quarterly activities report and Appendix 4C quarterly cash flow report for the three months ended 31 December 2020.

Limeade CEO Henry Albrecht commented: “Limeade has emerged out of 2020 with extraordinary resilience. Alongside most other corporate budgets, enterprise HR and Benefits budgets faced unprecedented pressure as the impacts of COVID-19, global recession and escalating unemployment took hold over the course of the year. Financial discipline, a strong balance sheet, our award-winning culture and the core Limeade value proposition carried us through the challenges of 2020 and prepares us for success in a post-COVID-19 world. We continue to see significant increases in long-term demand for the Limeade platform and its employee well-being, engagement, inclusion and communications capabilities.

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All amounts are expressed in US\$ unless otherwise indicated

<sup>1</sup> Contracted Annual Recurring Revenue

<sup>2</sup> Compound Annual Growth Rate

“There has never been a greater need for global enterprises to use technology to reach and communicate care for their employees. Limeade remains at the forefront of delivering support for employee physical, emotional and financial well-being and innovative resources and tools to increase engagement and inclusion at work. We are excited by our prospects, our pipeline of innovation and early momentum entering 2021.”

During the quarter, the Company recorded cash receipts from customers of \$14.3 million. Net cash receipts from customers after adjusting for payments made in relation to the sale of third-party products and services was \$11.9 million, down 40% versus Q3 2020, which reflected the seasonality of annual cash payments collected from enterprise customers. For FY20, net cash receipts of \$60.0 million were up 10% versus the prior corresponding period (pcp).

In Q4 2020, third party payments of \$2.3 million were down 51% versus Q3 2020 due to a reduction in demand from for biometric screenings and well-being incentives resulting from COVID-19 related constraints on travel, in-person events and corporate budgets.

Cash payments during the quarter were primarily directed towards the following costs: staff (\$9.1 million), administration & corporate (\$2.8 million), operating (\$0.6 million), marketing (\$0.6 million) and research & development (\$0.3 million). Staff costs declined slightly (-1.5%) over Q3 2020, while headcount continued to track at a lower rate than prospectus forecasts due to reduction in hiring associated with general business uncertainty during the COVID-19 pandemic.

Net operating cash outflow for the quarter was \$1.5 million, significantly below Q3 2020 cash inflow of \$3.7 million, reflecting the seasonality of cash receipts and the collection of a material annual subscription payment received from a large enterprise customer in Q3 2020. On a full year (FY20) basis, strong operating cash inflows of \$3.7 million were recorded, highlighting the strength of the Company's annual subscription model and long-term contracts with large enterprise customers.

Investing cash flows for the quarter of -\$0.7 million reflect software development costs incurred during the quarter was flat versus Q3 2020.

During the quarter, the Company made related third-party payments of \$89 thousand representing fees paid to non-executive directors for performance of their required duties as disclosed in the prospectus and annual report.

The Company's cash balance as at 31 December 2020 was \$31.5 million, with the Company remaining debt-free and well-positioned to capitalize on both organic and inorganic growth opportunities during 2021. Cash and recurring subscription revenue from existing customer base remains intact with the top 20 customers on average having 19 months remaining on their contracts.

Ahead of audited financial results in late February, on a preliminary basis Limeade anticipates an improvement in each of the three financial metrics provided in the FY20 guidance:

- Revenue of \$56.1 million
- Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) loss of \$0-2 million
- Net loss after tax of \$1.5-3.5 million

The Company recorded FY20 CARR of \$55.0 million, down 4% on FY19. Over the last five years, the compound annual growth rate in CARR has been 15%, highlighting the strong growth attributes of the Company's core well-being business. In FY20, Limeade signed a total of 18 new enterprise contracts versus 30 in FY19, reflecting the headwinds associated with COVID-19 and its effect on enterprise HR and Benefits budgets in North America and Europe.

During Q4 2020, Limeade signed 7 new enterprise contracts (Q3 2020: 3), all North American well-being deals with one significant enterprise contract within the government sector (University of Texas System or "UTS"). UTS, with a three-year, \$2.3 million annual subscription contract signed in December, is now a Limeade Top Five enterprise customer.

During the quarter, the Company experienced customer terminations or non-renewals (i.e., churn) with total annualized Net Revenue Retention (NRR) declining from 93% to 87% as at 31 December 2020 versus Q3 2020. Direct enterprise business ended FY20 with NRR of 90%. The Direct channel is the core driver of the business representing 90% of FY20 CARR. Despite the impact of COVID-19, Direct churn was within budget expectations for the quarter and for FY20 overall. Additionally, the overall level of Direct churn was lower than the Direct churn recorded in FY19.

The main driver of the overall decline in total NRR was an increase in Indirect (partner) churn. The Company has a key reseller partner focused on small and medium businesses that experienced significant churn.

The Company's total sales and marketing pipeline at Q4 2020 was \$226 million, up 3% on the total pipeline at Q3 2020, which stood at \$219 million. Excluding UTS, late-stage Finalist & Verbal was up 6% to \$12.8 million versus the pcp. Select contracts did not close as expected in Q4 2020 and are now anticipated to close in 2021, assuming the COVID-19 epidemic is controlled.

Limeade will continue to focus on the Direct enterprise channel to grow CARR in 2021. The Company expects to report its audited FY20 financial results on Friday, 26 February 2021.

Limeade remains committed to a growth strategy focused on providing solutions to large enterprise employers globally that contribute to a positive employee experience. This market is large, fragmented and significantly underpenetrated, thereby providing significant opportunity for strategic growth.

During the quarter, the Company continued to evaluate opportunities, including M&A, that could make a meaningful contribution to CARR over the longer term.

Limeade has provided investors a snapshot on the use of funds as stated in the IPO prospectus during the quarter in the table shown in Appendix 1.

## Investor Call

Mr Henry Albrecht, CEO and Mr Toby Davis, CFO will host an investor conference call commencing at 9.00am Australian Eastern Daylight Time (AEDT) today (2.00pm PT on Thursday, 21 January), followed by a question and answer session.

In order to pre-register for the conference call, please follow the link below. You will be given a unique pin number to enter when you call, providing immediate access to the event.

<https://s1.c-conf.com/DiamondPass/10011696-jd866aA.html>

An audio dial-in facility has been established, as set out below. Investors are advised to register for the conference in advance by using the Diamond Pass link above to avoid delays in joining the call directly through the operator. Alternatively, investor can elect to dial-in (noting the delays above) on the morning of the meeting. Please allow up to 5-10 minutes for this process.

Conference ID: **10011696**

Participant Dial-in Numbers:

Australia Toll Free: 1800 908299

Australia Local: +61 2 9007 8048

New Zealand: 0800 452 795

Canada/USA: 1855 624 0077

Hong Kong: 800 968 273

Japan: 006 633 868 000

China: 108 001 401 776

Singapore: 800 101 2702

United Kingdom: 0800 0511 453

*This release dated 22 January 2021 has been authorised for lodgement to ASX by the Board of Directors of Limeade and lodged by Emily Austin, the Limeade ASX Representative.*

– ENDS –

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To subscribe to the Limeade Email Alert Service please click [here](#).

To learn more about the response of Limeade to COVID-19 please visit:  
<https://www.limeade.com/en/care-in-crisis-actions-you-can-take/>

### About Limeade

Limeade is an employee experience software company that helps build great places to work. The Limeade platform unifies employee well-being, engagement and inclusion solutions with robust communications capabilities. Recognized for its own award-winning culture, Limeade helps every employee know their company cares. To learn more, visit [www.limeade.com](http://www.limeade.com).

Limeade, Inc. Australian Registered Business Number 637 017 602, a public limited company registered under the Washington Business Corporation Act (UBI Number: 602 588 317).

### Disclosure

This ASX release does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of any securities referred to herein in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. Any securities referred to herein have not been registered under the US Securities Act of 1933, as amended (the "US Securities Act") and may not be offered or sold in the United States or to US persons absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. In addition, any hedging transactions involving the securities referred to herein may not be conducted unless in compliance with the US Securities Act.

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## Appendix 1 – Use of Funds<sup>1</sup>

Use of Funds	Prospectus <sup>2</sup>	Q4 2020 <sup>3</sup>	Cumulative Expenditure	Comment
Sales & Marketing	\$14.4m	\$0.2m	\$2.1m	Under plan due to a reduction in COVID-19 related travel expenses and transition to fully virtual Limeade marketing & customer events
Research & Development	\$7.5m	\$1.2m	\$2.2m	Under plan due to delay in hiring
General & Administrative	\$5.4m	\$0.4m	\$1.7m	Under plan due to delay in hiring and lower travel expenditure
Repayment of existing credit facility	\$2.8m	N/A	\$2.8m	Paid in Q4 2019
Offer Costs	\$4.0m	N/A	\$3.9m	Majority of fees paid in Q4 2019 & balance in Q1 2020
<b>Total Uses</b>	<b>\$34.1m</b>	<b>\$1.8m</b>	<b>\$12.7m</b>	

Any discrepancies between totals and sums of components in tables are due to rounding

<sup>1</sup> All amounts are expressed in US\$; <sup>2</sup> A copy of the Limeade prospectus is available at: <https://www.asx.com.au/asxpdf/20191220/pdf/44crz46wm71wlh.pdf>

<sup>3</sup> The expenditure relating to S&M, R&D and G&A represents the additional expenditure into these functions resulting from the funds raised at IPO compared to the pcg.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Limeade, Inc.

**ABN**

637 017 602

**Quarter ended ("current quarter")**

31 December 2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	14,265	80,720
1.2 Payments for		
(a) research and development	(265)	(868)
(b) product manufacturing and operating costs	(582)	(2,044)
(c) advertising and marketing	(625)	(2,722)
(d) leased assets	(33)	(158)
(e) staff costs	(9,130)	(39,537)
(f) administration and corporate costs	(2,816)	(11,033)
1.3 Dividends received (see note 3)	—	—
1.4 Interest received	—	—
1.5 Interest and other costs of finance paid	(9)	(19)
1.6 Income taxes paid	—	—
1.7 Government grants and tax incentives	—	—
1.8 Other - third-party payments	(2,321)	(20,678)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,515)</b>	<b>3,662</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	—	—
(b) businesses	—	—
(c) property, plant and equipment	(14)	(180)
(d) investments	—	—
(e) intellectual property	(642)	(2,864)

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## Quarterly cash flow report for entities subject to Listing Rule 4.7B

		—	—
(f) other non-current assets			
<b>Consolidated statement of cash flows</b>		<b>Current quarter \$US'000</b>	<b>Year to date (12 months) \$US'000</b>
2.2	Proceeds from disposal of:		
	(a) entities	—	—
	(b) businesses	—	—
	(c) property, plant and equipment	—	—
	(d) investments	—	—
	(e) intellectual property	—	—
	(f) other non-current assets	—	—
2.3	Cash flows from loans to other entities	—	—
2.4	Dividends received (see note 3)	—	—
2.5	Other (provide details if material)	—	—
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(655)</b>	<b>(3,044)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	—	—
3.2	Proceeds from issue of convertible debt securities	—	—
3.3	Proceeds from exercise of options	201	312
3.4	Transaction costs related to issues of equity securities or convertible debt securities	—	(829)
3.5	Proceeds from borrowings	—	—
3.6	Repayment of borrowings	—	—
3.7	Transaction costs related to loans and borrowings	—	—
3.8	Dividends paid	—	—
3.9	Other (provide details if material)	—	(571)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>201</b>	<b>(1,088)</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	33,471	31,962
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,515)	3,662

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

4.3	Net cash from / (used in) investing activities (item 2.6 above)	(655)	(3,044)
<b>Consolidated statement of cash flows</b>		<b>Current quarter \$US'000</b>	<b>Year to date (12 months) \$US'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	201	(1,088)
4.5	Effect of movement in exchange rates on cash held	(3)	5
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>31,497</b>	<b>31,497</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$US'000</b>	<b>Previous quarter \$US'000</b>
5.1	Bank balances	31,497	33,471
5.2	Call deposits	—	—
5.3	Bank overdrafts	—	—
5.4	Other (provide details)	—	—
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>31,497</b>	<b>33,471</b>

**6. Payments to related parties of the entity and their associates**

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$US'000**

(89)

—

Item 6.1 includes cash compensation paid to Board Directors &amp; Chair

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
7.1 Loan facilities	15,000	—
7.2 Credit standby arrangements		
7.3 Other (please specify)		
<b>7.4 Total financing facilities</b>	<b>15,000</b>	<b>—</b>

**7.5 Unused financing facilities available at quarter end**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Limeade has a credit facility with Comerica Bank of \$15M with an interest rate of LIBOR plus 3% per annum.

<b>8. Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,515)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	31,497
8.3 Unused finance facilities available at quarter end (Item 7.5)	
8.4 Total available funding (Item 8.2 + Item 8.3)	31,497
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	N/A

*Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5*

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

*Note. where item 8.5 is less than 2 quarters, all questions 8.6.1, 8.6.2, and 8.6.3 above must be answered*

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**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: **21 January 2021 (PT)**

Authorised by: **Toby Davis, Chief Financial Officer**

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.